



**TENTH
ANNUAL
REPORT**

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APR 17 1967

ATLANTIC COAST COPPER CORPORATION L I M I T E D

TENTH ANNUAL REPORT

AUTHORIZED CAPITALIZATION

5,000,000 shares without par value.

DIRECTORS

M. J. BOYLEN, D.C.L., D.Sc. - - - - Toronto 18, Ontario
JAMES A. BOYLEN - - - - - Malton, Ontario
ROBERT W. DEMPSEY, D.E., P.Eng. - - - - Islington, Ontario
JOHN S. GRANT, Q.C. - - - - - Willowdale, Ontario
GORDON F. PUSHIE - - - - - St. John's, Newfoundland

OFFICERS

M. J. BOYLEN, D.C.L., D.Sc. - - - - - *President*
JAMES A. BOYLEN - - - - - *Vice-President*
GORDON L. MOORE - - - - - *Secretary-Treasurer*
CHARLES B. BRANNIGAN - - - *Assistant Secretary-Treasurer*

EXECUTIVE OFFICE

SUITE 908 - 330 BAY STREET - - - - - Toronto, Ontario

MINE OFFICE

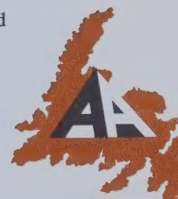
LITTLE BAY - - - - - Newfoundland

TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA
366 Bay Street, Toronto, Ontario

AUDITORS

MCDONALD, CURRIE & Co. - - - - - Toronto, Ontario



DIRECTORS' REPORT

TO THE SHAREHOLDERS:

Your Directors take pleasure in submitting herewith the Tenth Annual Report of your Company for the year ended December 31, 1966.

The year's operations resulted in the best performance since the start of operations. Ore grade was higher at 1.301 per cent copper as compared with 1.101 the previous year. This, coupled with the higher price for copper, resulted in an operating profit at the mine of \$1,818,438. for the year as compared with \$750,445. the previous year.

Comparative figures for the period under review and the preceding year, dealing with revenue, costs and profits are shown in the financial statements elsewhere in this report. Complete production data and unit costs are contained in the Mine Manager's Report.

Major overhaul in the milling plant was effected during the year. The installation of underground primary crushing facilities originally planned for 1966 were not made in that year but were installed in February 1967 and are now in operation. The combination of these new and overhauled facilities will tend to increase productivity and efficiency which in turn will reflect higher profits.

Ore production during 1966 was confined mainly to the 1,350' level where as stated in the last Annual Report, a reduction in dilu-

tion and a consequent increase in ore grade could be expected. The increase in ore grade did in fact take place with an overall average of 1.30% copper as compared to 1.10% during 1965.

Production for the year 1967 will be largely from the 1,500' level. Ore from the stopes on this level is expected to be similar to that produced on the 1,350' level.

With the completion of the 1965-66 shaft deepening programme two new levels 1650 and 1800 are available for development and exploration. Both of these horizons are in the process of being opened on the downward extension of the Main Ore Zone.

Diamond drilling below the 1,500' level has indicated a weakening change in the ore zone. The significance of these indications cannot be properly assessed until the new levels are completely developed and the nature of the ore zone more closely defined at these elevations. This work is in progress and meaningful results should be available in the third quarter of 1967.

Exploration in the North Zone was started during the year following the 1,200 feet of cross cutting on the 700' level in order to reach the mineralized area. Following a minimum of diamond drilling to determine the attitude of the zone, drifting East and West along the strike is now in progress. While the preliminary drilling cut several

intersections of ore grade material, insufficient work has been done to warrant a serious appraisal of the zone at this time. In addition to the work on the 700' level currently underway, further exploration is planned for deeper horizons later in the year.

Copper production during 1967 is expected to be quite similar to that recorded in the past year.

The outlook for profitability of the Company in 1967 is very bright indeed. An indication of this is shown by the first three months of operation which earned an estimated operating profit at the mine of \$276,834., using a copper price of 44.5¢ before application of interest, depreciation, pre-production written-off and Provincial Mining Tax. The average price received for concentrates settled for in 1966 was 48.6185¢.

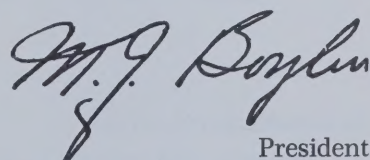
A review of the Balance Sheet reflects that the Company retired a considerable amount of its debt during the year 1966. As referred to in note 2 (e) of the notes to the Financial Statements, the Company, due to its favourable cash position, is able to pur-

chase and surrender for cancellation a considerable amount of its sinking fund debentures and is currently offering 99% to debenture holders, with interest to date of purchase. This is not a general offer of redemption but is an offer to purchase under the terms of the issue.

Your Directors wish to acknowledge with appreciation the competent and loyal services of Mr. Basil L. Jackson, Mine Manager, and his staff and employees.

We wish also to thank the various departments of the Newfoundland Government for their continued co-operation and assistance given to the Company's mining operation over the year.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read "M.J. Boylan". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

President.

Toronto, Ontario.
April 4, 1967.



Balance Sheet as at December 31, 1966

ASSETS

	1966 \$	1965 \$
CURRENT ASSETS		
Cash	31,491	5,116
Short-term deposits	150,000	—
Net estimated amount receivable from sale of copper concentrates	1,162,156	862,877
Accounts receivable	80,063	31,829
Prepaid expenses	13,920	16,867
	<u>1,437,630</u>	<u>916,689</u>
SPECIAL REFUNDABLE TAX INCLUDING ACCRUED INTEREST ..	<u>71,433</u>	<u>—</u>
FIXED ASSETS		
Plant and equipment — at cost less accumulated depreciation (note 1)	1,176,731	1,290,571
Mining property — at value ascribed to 1,000,000 shares issued as consideration for the property with subsequent additions at cost	615,722	615,722
	<u>1,792,453</u>	<u>1,906,293</u>
DEFERRED EXPENDITURE		
Materials and supplies — at cost	217,519	213,151
Preproduction expense, less amortization	254,391	573,126
Deferred development, less portion written off	131,561	120,794
Outside exploration, less portion written off	26,358	24,413
Debenture discount and expenses, less amortization	55,746	71,674
	<u>685,575</u>	<u>1,003,158</u>
	<u>3,987,091</u>	<u>3,826,140</u>

Signed on behalf of the Board:

M. J. BOYLEN, Director.

R. W. DEMPSEY, Director.

ATLANTIC COAST COPPER CORPORATION

LIMITED

LIABILITIES

	1966 \$	1965 \$
CURRENT LIABILITIES		
Bank advances	—	399,535
Accounts payable and accrued liabilities	158,864	156,696
5% demand loan from a shareholder	—	60,000
Taxes payable	54,000	6,883
Current portion of long-term debt	200,000	200,000
	<u>412,864</u>	<u>823,114</u>
 LONG-TERM DEBT		
5% loan from a shareholder due June 1, 1968	—	237,498
6¼% sinking fund debentures due July 4, 1970, less current portion (note 2)	846,000	1,100,000
	<u>846,000</u>	<u>1,337,498</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized —		
5,000,000 shares without par value		
Issued and fully paid —		
4,300,000 shares (note 3)	3,390,000	3,240,000
DEFICIT	661,773	1,574,472
	<u>2,728,227</u>	<u>1,665,528</u>
	<u>3,987,091</u>	<u>3,826,140</u>

ATLANTIC COAST COPPER CORPORATION LIMITED

Statement of Deficit

For the Year Ended December 31, 1966

	1966 \$	1965 \$
BALANCE — BEGINNING OF YEAR	1,574,472	1,527,933
Net profit (loss) for the year	912,699	(43,369)
Organization expense written off	—	(3,170)
BALANCE — END OF YEAR	<u>661,773</u>	<u>1,574,472</u>

Statement of Earnings

For the Year Ended December 31, 1966

	1966 \$	1965 \$
MINE OPERATIONS		
Revenue —		
Copper concentrate production	3,889,646	2,607,772
Less: Marketing expenses	518,465	481,063
	<u>3,371,181</u>	<u>2,126,709</u>
Operating expenses —		
Mining	789,233	753,967
Milling	458,458	433,500
Mine general expenses	233,828	152,210
Administrative expenses	71,224	36,587
	<u>1,552,743</u>	<u>1,376,264</u>
MINE OPERATING PROFIT BEFORE THE FOLLOWING CHARGES	<u>1,818,438</u>	<u>750,445</u>
Deduct:		
Depreciation of fixed assets (note 5)	223,262	210,679
Amortization of preproduction expense	318,735	292,023
Deferred development — portion written off	212,404	138,014
Amortization of debenture discount and expenses	15,301	15,927
Interest on debentures and loans	83,341	132,966
Provincial mining tax	52,696	4,205
	<u>905,739</u>	<u>793,814</u>
NET PROFIT (LOSS) FOR THE YEAR (note 6)	<u>912,699</u>	<u>(43,369)</u>

ATLANTIC COAST COPPER CORPORATION LIMITED

Notes to Financial Statements

For the Year Ended December 31, 1966

1. FIXED ASSETS

Plant and equipment and related accumulated depreciation are classified as follows:

	1966			1965
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Buildings and machinery	1,984,905	1,023,723	961,182	1,125,795
Tools and equipment	375,170	159,621	215,549	164,776
	<u>2,360,075</u>	<u>1,183,344</u>	<u>1,176,731</u>	<u>1,290,571</u>

2. SINKING FUND DEBENTURES

(a) The principal, interest and sinking fund payments due under the debenture agreement are unconditionally guaranteed by the Province of Newfoundland.

(b) The Province of Newfoundland holds a first mortgage on all real and immovable property, and in addition is permitted to hold a first floating charge on all other property and assets during the period when any obligations under the debenture agreement are not satisfied.

(c) Annual sinking fund requirements are as follows:

1967	\$200,000
1968 and 1969	\$300,000

(d) A distribution of assets or payment of dividends may not be made without the consent of the Province of Newfoundland while any of the debentures are outstanding.

(e) During 1966 \$54,000 principal amount of debentures were purchased and surrendered for cancellation but have not yet been applied as a sinking fund credit. Subsequent to December 31, 1966 further purchases amounting to \$53,000 have been made.

3. RESERVATIONS OF CAPITAL STOCK

During the year 100,000 shares were issued for \$150,000 cash under an underwriting agreement effective October 29, 1964.

4. CONTRACTUAL COMMITMENT

The company has a contract to pay an annual minimum amount of \$212,500 for electrical power until the longer of 1967 or the life of the mine up to 1971.

5. DEPRECIATION

In addition to the depreciation of fixed assets shown in the statement of earnings, \$15,155 has been charged to operations during the year for depreciation of automotive equipment.

6. INCOME TAXES

Because of deductions permitted for tax purposes, it is estimated that there is no liability for income taxes for the year, except for provincial mining taxes.

ATLANTIC COAST COPPER CORPORATION LIMITED

Statement of Source and Use of Funds

For the Year Ended December 31, 1966

	1966 \$	1965 \$
SOURCE OF FUNDS		
Net profit (loss) for the year	912,699	(43,369)
Add: Charges not requiring cash outlay —		
Depreciation of fixed assets	238,417	213,117
Amortization of preproduction expense ..	318,735	292,023
Amortization of debenture discount and expenses	15,301	15,927
Deferred development — portion written off	212,404	138,014
	<u>784,857</u>	<u>659,081</u>
	1,697,556	615,712
Proceeds of issue of shares	150,000	600,000
Decrease in inventory of materials and supplies	—	11,633
	<u>1,847,556</u>	<u>1,227,345</u>
USE OF FUNDS		
Special refundable tax	71,433	—
Additions to fixed assets — net	124,577	146,812
Deferred development	223,171	123,042
Outside exploration	1,945	2,334
Sinking fund debentures purchased for cancellation ..	53,373	—
Payment on sinking fund debentures	200,000	200,000
Repayment of loan from a shareholder	237,498	—
Increase in inventory of materials and supplies	4,368	—
	<u>916,365</u>	<u>472,188</u>
INCREASE IN WORKING CAPITAL	931,191	755,157
WORKING CAPITAL — BEGINNING OF YEAR	93,575	(661,582)
WORKING CAPITAL — END OF YEAR	<u>1,024,766</u>	<u>93,575</u>

MCDONALD, CURRIE & CO.

CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

TELEPHONE 366-2551
120 ADELAIDE STREET WEST
TORONTO 1, CANADA

March 15, 1967

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Atlantic Coast Copper Corporation Limited as at December 31, 1966 and the statements of earnings, deficit and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings, deficit and source and use of funds, when read in conjunction with the notes thereto, present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.

CHARTERED ACCOUNTANTS

MINE MANAGER'S REPORT

Springdale, Newfoundland.
February 15, 1967.

The President and Directors,
Atlantic Coast Copper Corporation Limited.

Gentlemen:

A report of operations for the year ended December 31, 1966 is submitted herewith:—

Production

A summary for the year with comparative figures for 1965, is as follows:—

	1966	1965
Ore treated	318,735 tons	292,023 tons
Average daily milling rate	873.2 tons	800.0 tons
Average grade	1.301 % Cu	1.101 % Cu
Time mill operated ..	91.67 %	90.33 %
Recovery	95.73 %	95.13 %
Concentrates produced	13,487 tons	10,862 tons
Concentrate grade ..	29.299 % Cu	28.097 % Cu
Gross copper content	7,903,174 pounds	6,103,787 pounds
Gross gold content ..	674 ounces	543 ounces

Operating Costs

Cost per ton treated, with comparative figures for the year 1965, are tabulated below:

	1966	1965
Development	\$ 0.570	\$ 0.588
Diamond Drilling	0.127	0.109
Mining	1.851	1.967
Milling	1.367	1.398
Surface and General	0.740	0.521
General Administration	0.223	0.125
Total	\$ 4.878	\$ 4.708

Minor changes in accounting practice made in 1966 have some bearing on the increased unit costs indicated for surface and general and general administration. In 1966, indirect charges such as Workmen's Compensation, Unemployment Insurance, etc., are included in these accounts whereas in 1965 they were distributed over all operations.

Increased employee welfare benefits and payments into The Canada Pension Plan account substantially for the overall increase in the unit costs of seventeen cents per ton treated.

Mining

A summary of mine development, with comparative figures for 1965, follows:—

	1966	1965	Cumulative to 31 Dec. 1966
Drifting	3,546'	3,890'	23,752'
Cross Cutting	3,029'	1,152'	14,540'
Miscellaneous			
Excavations	546'	210'	1,840'
Raising and Boxholing ..	2,679'	2,776'	14,345'
Shaft Sinking	272'	226'	2,058'
Station Cutting	61'	65'	538'
Total	10,133'	8,319'	57,073'
Underground			
Diamond Drilling	16,384'	9,810'	109,382'

Sinking of the main shaft was continued to 2,058 feet. A level station was established at 1,800 feet, a crusher station at 1,860 feet, a sump, on the west side of the shaft, at 1,915 feet, a loading pocket at 1,930 feet, and a spill pocket at 1,975 feet.

MINE MANAGER'S REPORT (Continued)

The ore pass system was extended to the new loading pocket and lateral development on the 1650 and 1800 levels was underway at the year end.

Development footage increased approximately 22% over that obtained in 1965 and provided 14,006 tons of ore. 43,598 tons of waste were hoisted to surface dumps.

Ore production from stopes was 304,944 tons, 4.1% from the 1150 level, 91.2% from the 1350 level and 0.3% from the 1500 level.

Average ore grade was 1.301% copper, up 18% from 1.101% copper the previous year.

The 1500 level was fully developed and ready for mining at December 31st.

Exploration

A cross cut was driven north on the 700 level, through the copper bearing zone previously indicated by surface diamond drilling. Drifting east and west from this opening is now underway and will continue until the zone is exposed over its entire length. Detailed diamond drilling will follow.

No surface exploration was undertaken during the year but plans have been prepared for extensive geophysical work in 1967.

Milling

Milling was suspended for seventeen days in July to make a general overhaul of

the equipment which had been operating, up to that time, for 5.2 years at better than 95% of the possible running time. During the interval, foundations under the Symons cone crusher were completely renewed.

There was a slight improvement made in overall recovery at 95.73% and the average grade of concentrate was brought up to 29.30%, a gain of 1.2%.

General

Surface construction was limited to; building a two vehicle garage; replacing the 7,000 gallon water storage tank with one of 30,000 gallons capacity; finishing the basement under the staff house to supply accommodation for holding safety meetings, conferences, and recreational functions. Preliminary diamond drilling below the 1500 level indicates a marked flattening in dip and a related thinning of the main ore zone. However, the 1650 level will have to be developed before the true situation can be determined.

It is again a pleasure to acknowledge the efficient work and loyal services of the staff and employees, as well as the support and co-operation of the officers and directors of the company.

Respectfully submitted,

B. L. JACKSON,
Manager.

